

Cabinet Report



9 December 2011



Report of Strategic Director

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DATE: 9 December 2011

Report no. 49/11

Appointment of consultants to deliver the Fit For The Future programme

Recommendations

- (1) That the cabinet of the Vale of White Horse District Council recommend council to approve a supplementary estimate for £186,500 for half the value of the Fit for the Future two-year programme.
- (2) That the cabinet of South Oxfordshire District Council recommend council to approve a virement from the contingency budget of £186,500 for half the value of the Fit for the Future two-year programme
- (3) Subject to the Vale of White Horse council approving the supplementary estimate, and South Oxfordshire council approving a virement from contingency, that both cabinets appoint supplier B to a joint contract for South Oxfordshire and Vale of White Horse district councils for the Fit for the Future programme for a two year period., with an option to extend for a further two years should it be desired, to be taken by the strategic director in consultation with the relevant cabinet member
- (4) That both cabinets authorise the Strategic Director with responsibility for Fit for the Future to finalise terms and conditions and enter into a contract with supplier B.

Purpose of Report

1. The Fit for the Future programme is a service transformation programme that achieves efficiency savings, while maintaining and enhancing service quality. It has operated at South Oxfordshire council for three years and at the Vale of White Horse council for two years. This report proposes that we continue the programme for a further two years to complete the work across all services.

Strategic Objectives

2. The Fit for the Future programme contributes to the shared strategic objective of managing our business effectively by assisting services to identify efficiency savings across both councils. This is an invest-to-save programme that is expected to deliver ongoing annual savings greater than the one-off cost of the work.

Context

3. The Fit for the Future programme was launched in South Oxfordshire in 2008/09 and consultants were appointed to work with our services with the aim of helping them develop more efficient means of delivering high quality services. This is done through a range of means including, streamlining of processes, removal of functions that do not add value, innovative approaches, introduction of new IT systems, and outsourcing.
4. Typically service heads evaluate all options, looking at the costs and benefits of these, before redesigning services and implementing changes. The process takes nine to twelve months and the whole year savings are obtained in the year following implementation..
5. The table below shows the operating costs of the programme over the past three years and the ongoing annual savings that have been achieved. It can be seen that the efficiency savings greatly exceed the costs of operating the programme. However, it would be wrong to conclude that Fit for the Future is solely about making financial savings. Its aims are to make services more cost effective, more customer-focused and to enable us to do more with less. Savings are often reinvested to improve service quality.

Table one: Fit for the Future Programme previous year savings

	Round 1 2008/9 programme	Function Review 2009/10 programme		Round 2 2010/11 programme	
	South	South	Vale	South	Vale
Total Costs	£ 263,736	£ 118,392	£ 117,274	£ 187,260	£ 225,077
Ongoing yearly savings	-£ 557,701	-£ 641,942	-£ 1,236,266	-£ 363,802	-£ 543,100
Costs to savings ratio	1 : 2.1	1 : 5.4	1 : 10.5	1 : 1.9	1 : 2.4

6. After the initial programme has been completed in each service staff are trained to carry out continuous improvement activities which generate further improvements

on an ongoing basis. The focus in this part of the programme is the delivery of excellence in customer services

Funding of the Programme

7. Although the Fit for the Future programme has been operating for the past three years we have re-tendered it this year, firstly to test the market, and secondly, to comply with EU regulations. A full EU tender process has now been carried out using the EU accelerated restricted procedure culminating in interviews held on Friday 14 October. Five consultants were interviewed.
8. The outcome from evaluation of the tender submissions and the interviews is that the interview panel decided to recommend supplier B to both cabinets to deliver the remainder of the FFTF programme. The consultancy cost of operating this programme, which will run for up to two years, is £249,000.
9. The consultants are supported by an internal programme manager whose role is to oversee consultant performance, project manage delivery of the programme, provide training for staff and deliver the continuous improvement programme. This role will be required for the next two years. The budget required for this support work over two years is £124,000, making a total budget requirement of £373,000
10. There is as yet no financial provision in 2012/13 or 2013/14 for this programme. Normally this would form part of the budget setting process but as the contract needs to be let in advance of this to avoid stalling the programme we are asking both councils to agree to fund the project through virement (South) and supplementary estimate (Vale).
11. At South Oxfordshire the scheme can be funded by vireing £186,500 from the contingency budget. As this virement is greater than £100,000 it requires council approval.
12. There is no scope for a virement at the Vale as we are currently predicting a year end overspend. Therefore Council is requested to approve a supplementary estimate to the value of £186,500.

Procurement process

13. The first stage of the process was to advertise for expressions of interest. In total 52 suppliers submitted completed pre-qualification questionnaires in August 2011. These were evaluated according to technical capacity, professional ability and financial standing. Five suppliers were short listed and issued with invitations to tender with a return date of 10 October 2011. Five tenders were submitted.
14. The tenders were evaluated based on a weighting of 60 per cent price and 40 per cent quality in accordance with current council policies. The 40 per cent quality evaluation considered how the supplier proposed to undertake the work identified within the approved specification and was evaluated in accordance with the criteria specified in the tender documents
15. The scores achieved by each of the tenders are shown in table one below.

Table two: evaluation matrix (Maximum 100 points)

Supplier	Price	Quality	Total	Ranking
A	47.5	30	77.5	3
B	47.1	36.5	83.6	1
C	56.3	19.25	75.6	4
D	59.1	21.25	80.4	2
E	47.3	18	65.3	5

16. Supplier B is ranked first and is offering the most advantageous proposal to South Oxfordshire and Vale of White Horse district councils with a total combined score of 83.6 points. This supplier scored the highest number of points in quality and scored a similar number of points to three other suppliers on cost. Two suppliers scored higher points for their financial submission but significantly lower scores for quality. On that basis officers are recommending that supplier B is appointed to the Fit for the Future contract for South Oxfordshire and Vale of White Horse district councils.

Options

17. No other options were considered because the evaluation of the tenders clearly identifies that supplier B is offering the most advantageous proposal for the council

Financial Implications

18. The tender bid received from supplier B is £249,000. The costs of this plus programme manager will be split 50:50 between South Oxfordshire and Vale of White Horse District Councils.

19. This is an invest-to-save programme that will deliver ongoing annual savings greater than the cost of the work. Typically the savings identified in services when Fit for the Future is first introduced are 10-20% of controllable budget. This varies according to the nature of the service and previous savings initiatives. In previous Fit for the Future work the one-off costs of running the programme have been considerably less than the ongoing yearly savings identified; in other words, it pays back the cost within one year.

20. A financial check has been undertaken as part of the tender process and supplier B has a minimal risk of failure with nothing in their report that should give the councils cause for concern.

Legal Implications

21. Working closely with the legal and procurement teams the procurement process has followed the councils accelerated restricted tender process in accordance with the EU directive 2004/18 as required by the UK Public Contracts Regulations

2006. All suppliers have been kept informed of the process throughout. A contract award notice for the appointment of the selected supplier will be published and the required standstill period will elapse before formal agreements are entered into.

22. The councils are required to enter into a formal contract with the selected supplier.

Risks

23. We must ensure that the consultant achieves the objectives set out in the tender document, within the specified cost. To achieve this a detailed project plan is produced and managed tightly. Delivery against the plan is reported to a monthly programme board that comprises the relevant cabinet members for both councils and the three strategic directors. Payment is made to the consultants periodically based on achievement of specified outcomes.

Other Implications

24. None

Conclusion

25. Supplier B has submitted the tender which is the most economically advantageous to the councils. Awarding the contract to them will allow the invest-to-save Fit for the Future programme to be completed in the next two years. This will result in significant future efficiency savings for the councils. Both cabinets are asked to approve the award of a contract to supplier B.

Background Papers

26. None